THE AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

The Agriculture and Consumer Protection Act of 1973 is a four-year program designed to attract the farm production that is needed to meet domestic and foreign demand for food and fiber. It accomplishes this by creating a favorable climate within which farmers may respond to market signals that indicate consumer demand and produce the crops that are needed at home and abroad.

New with this Act is the concept of guaranteed, or "target" prices and deficiency payments for the three commodities -- wheat, feed grains, and upland cotton. Deficiency payments will not be made as long as the average market price received by farmers during the first five months of the marketing year -- or in the case of cotton, during the calendar year in which the crop is planted -- remains above the target level. However, the arrangement will provide a farmer with a guaranteed return on the portion of the crop produced on his allotment in the event that average prices drop below the target levels. The Act establishes target prices for 1974 and 1975 crops and includes an escalator provision for 1976 and 1977 crops. Under the escalator clause, the target price for the 1976 and 1977 crops will be adjusted to reflect any change in the cost of production. Any increase that would otherwise be made to reflect a change in the production cost index shall be adjusted to reflect any change in (1) the national average yield per acre for the three preceding calendar years over (2) the average yield per acre for the three calendar years preceding the one previous to the one for which the determination is made. For example, for the 1976 crop the 1973-75 per acre average will be compared with the 1972-74 average.

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Another new provision of the farm bill is one under which a producer may qualify for payments when prevented by natural disaster from planting any portion of his wheat, feed grain or cotton allotment -- or when he is prevented from harvesting at least two-thirds of the normal production of his wheat, feed grain or cotton allotment. Other nonconserving crops may be substituted for wheat and feed grains in evaluating this two-thirds provision.

Increased freedom to produce for the marketplace is provided by this Act which broadens the range of crops that may be substituted for wheat, feed grains, or cotton in order to preserve allotment history. A set-aside authority is provided for years when the Secretary of Agriculture considers land retirement a necessity. If a set-aside is in effect, producers must set aside and devote to approved conservation uses an acreage of cropland equal to the specified percentage of their allotment in order to be eligible for loans, purchases, or payments. Cost-sharing for control of erosion, insects, weeds and rodents or for establishment of wildlife food plots or habitat on set-aside is authorized. The Secretary may also provide for additional voluntary set-aside at fair and reasonable rates, and he has discretionary authority to impose or suspend conserving base requirements. The Secretary has announced that the conserving base requirement will be suspended for the life of the bill.

Beyond these provisions, a farmer will have maximum choice to grow whatever crops best fit his land, labor, machinery and management resources except for those quota crops covered by older legislation. The quota crops include rice, sugar, peanuts, certain types of tobaccos, and extra long staple cotton.

Farm allotments will be assigned for the purpose of determining the amount of payment under the target price concept, and the amount of set-aside when it is applicable. Bases formerly used for the feed grain program have been changed

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to allotments, and marketing certificates under the wheat program are eliminated by the new Act.

In addition to these commodity programs, the Agriculture and Consumer Protection Act of 1973 contains a $20,000 payment limitation, several provisions affecting dairy products, extends the authority for payments on wool and mohair, extends the provisions of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), continues beekeeper indemnities, authorizes a number of special studies and technical support programs, requires export sales reporting, establishes a disaster feed reserve, and continues rural development. The Act also directs the Secretary of Agriculture to encourage production of imported commodities on set-aside acreage, establishes long-term contracts for REAP and Waterbank programs, and establishes a forestry incentives program. Food stamp and commodity distribution programs are also included in this Act which expires on December 31, 1977.

The general thrust of the new bill continues the producer freedom and market-oriented farm policy established by the Agricultural Act of 1970. The new Act also allows market action to serve as a production guide, and it provides the flexibility of farm operations needed so that producers can respond to market demand.

SUMMARY OF PRINCIPAL PROVISIONS

Title I -- Payment Limitation

This title establishes a payment limitation of $20,000 which a person (as defined by the Secretary) can receive annually under a combination of the wheat, feed grain, and cotton programs. Excluded from the payment limitation are payments for resource adjustment (set-aside), public access, loans and purchases.

The Act requires that the regulations regarding corporations and stockholders as issued on December 18, 1970 be reinstated. This has the effect of eliminating the "attribution" rules that were effective for 1972 and 1973.

The limitation does not apply to lands owned by states, political subdivisions, or agencies thereof, so long as such lands are farmed primarily in direct furtherance of a public function as determined by the Secretary. The limitation does apply to persons who lease and farm these publicly-owned lands.

As in the previous Act, if the Secretary determines that a person's payments are to be reduced because of this limitation, his set-aside (when required) may be cut accordingly.

Title II -- Dairy

This title raises the dairy price support to a minimum of 80 percent of parity for the marketing years of 1973-74 and 1974-75, after which the support level may return to a minimum of 75 percent of parity. It also permanently deletes the requirement to support butterfat in farm-separated cream.

The title also amends laws relating to the required number of producers needed to call a hearing for specific market order areas, amends the dairy indemnity program to include indemnification for cows producing milk contaminated with certain chemical residues, requires a study by USDA to learn the impact of increasing the level of dairy imports on the dairy industry, reestablishes the legal status of producer handlers of milk and continues the authority to transfer dairy products from CCC to the military agencies and Veterans Hospitals.

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Title III -- Wool

This title extends the authority for incentive payments on wool and mohair for four more years, through December 31, 1977, at the rate of 72 cents per pound for shorn wool and 80.2 cents per pound for mohair. It also provides new authority for the Secretary to enter into agreements with, or to approve agreements between, specified groups for the purpose of conducting advertising or sales programs on a national, state or regional basis, and programs for the development and dissemination of information on product quality, production, and marketing. This section also provides authority for conducting advertising and sales promotion programs outside of the United States for mohair, goats or the products thereof.

Title IV -- Wheat

This title continues for four crop years (1974-1977) a voluntary wheat program and suspends marketing quotas during that time. Other provisions are:

1. Nonrecourse loans will be available to participating farmers at from $1.37 per bushel to 100 percent of parity, as determined by the Secretary, on all production of an eligible producer.

2. The wheat certificate program has been repealed.

3. The target price for wheat is established at $2.05 for 1974 and 1975. If the average market price during the first five months of the marketing year (July through November) for all wheat farmers is $2.05 or more, there will be no payment. If the average price received by all wheat farmers falls below $2.05 per bushel, participating producers will receive the difference between the target price and the average market price on the farm allotment times the established farm yield.

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4. For the 1976 and 1977 crop years, an escalator clause will be in effect. Under it, the target price will increase if the cost of production goes up more than overall farm productivity. The formula for figuring the 1976 and 1977 target prices will be: cost of production increase as measured by USDA's cost of production index adjusted by the productivity change as measured by the national average yield for the preceding three years, compared with the yield of the three years previous to the preceding year. For example, for the 1976 crop the 1973-75 average will be compared with the 1972-74 average.

5. A producer may qualify for a special wheat payment when a natural disaster limits the planting of wheat, or other nonconserving crops substituted for wheat, to less than his allotment; or when a natural disaster limits harvested production to less than two-thirds of the allotment times the established farm yield.

6. As in the Agricultural Act of 1970, producers are not required to plant wheat to be eligible for program benefits. However, failure to plant at least 90 percent of the allotment to either wheat or a crop designated by the Secretary as an eligible substitute will result in loss of allotment not to exceed 20 percent the following year. After three consecutive years of zero planting, the allotment will be removed. There will be no reduction in allotment if the producer elects not to receive payment otherwise earned for the portion not planted. Also, farmers prevented from planting wheat because of natural disaster will not lose their allotments. For allotment preservation, the Secretary may permit substitution of cotton, soybeans, feed grains (including barley) guar, castor beans, triticale, oats, rye, or such other crops that he deems appropriate.

7. The Secretary is required to proclaim the national acreage allotment not later than April 15 for the next year's crop.

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8. The 15 million acre maximum required set-aside feature has been eliminated.

9. Farm allotments will be apportioned on the basis of the preceding crop year allotment.

10. Proven wheat yields are continued, but the base period has been changed to five years with a natural disaster adjustment provision.

11. The Secretary is authorized to release excess wheat stored under earlier wheat programs and determine the amount of refund for the privilege of releasing the excess. The Secretary has announced that such wheat may be released without penalty.

12. When the set-aside program is activated, no additional set-aside will be required in summer fallow areas if 55 percent of the cropland acreage is devoted to summer fallow.

13. Grazing and haying may be permitted on set-aside at the Secretary's discretion.

14. Authority is continued for producers to plant on set-aside guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodities designated by the Secretary.

15. Cost sharing is authorized for conserving practices on set-aside.

16. Public access payments are authorized.

17. Up to one percent of a state's wheat allotment may be reserved for new producers.

18. The Secretary has discretionary authority to suspend or eliminate conserving base requirements.

19. Grazing of sweet sorghum on set-aside is permitted under rules to be developed by the Secretary.

20. The Secretary is authorized to limit the acreage planted to a percentage of the wheat allotment.

Title V -- Feed Grains

This title establishes a voluntary feed grain program for 1974, through 1977 and changes the terminology used from feed grain "bases" to feed grain "allotments" to conform with terms used in the wheat and cotton programs.

Other provisions include:

1. Nonrecourse loans will be available to participating producers for all feed grain produced. The loan level for corn can not be less than $1.10 per bushel or greater than 90 percent of parity. Loans for grain sorghum and barley are to be set at such level as the Secretary determines is fair and reasonable in relation to corn considering feeding value and various other factors.

2. Barley may be included as a feed grain at the Secretary of Agriculture's discretion.

3. The target price for corn is established at $1.38 for 1974 and 1975 with target prices for grain sorghum and barley (if included by the Secretary of Agriculture) set at a rate that the Secretary considers fair and reasonable in relationship to corn. If the average price for corn received by all feed grain producers during the first five months of the marketing year falls below $1.38 per bushel, participating producers will receive the difference between the target price and the average market price on the farm allotment times the established farm yield.

4. For the 1976 and 1977 crop years, an escalator clause will be in effect. Under it, the target price will increase if the cost of production goes up more

than overall farm productivity. Formula for figuring the 1976 and 1977 target prices will be: cost of production increase as measured by USDA's cost of production index adjusted by the productivity change as measured by the national average yield for the preceding three years, compared with the yield of the three years previous to the preceding year. For example, for the 1976 crop the 1973-75 average will be compared with the 1972-74 average.

5. A producer may qualify for a special feed grain payment when a natural disaster limits the planting of feed grains, or other nonconserving crops substituted for feed grains, to less than his allotment; or when a natural disaster limits harvested production to less than two-thirds of the allotment times the established farm yield.

6. As in the Agricultural Act of 1970, producers are not required to plant feed grain to be eligible for program benefits. However, failure to plant at least 90 percent of the allotment to either feed grain or a crop designated by the Secretary as an eligible substitute will result in loss of allotment not to exceed 20 percent the following year. After three consecutive years of zero planting, the allotment will be removed. There will be no reduction in allotment if the producer elects not be receive payment otherwise earned for the portion not planted. Also, farmers prevented from planting feed grain because of natural disaster will not lose their allotments. For allotment preservation, the Secretary may permit substitution of wheat, cotton, soybeans, guar, castor beans, triticale, oats, rye, or other crops that he deems appropriate.

7. The Secretary must proclaim the national feed grain allotment by January 1.

8. The allotment will be apportioned on the basis of the preceding year.

9. Up to one percent of each state's feed grain allotment may be reserved for apportionment to new producers.

10. Authority is granted for the Secretary to establish a set-aside in years when he deems it necessary.

11. Grazing and haying may be permitted on set-aside at the Secretary's discretion.

12. Authority is continued for producers to plant on set-aside guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodities that the Secretary announces.

13. The Secretary has discretionary authority to suspend or eliminate conserving base requirements.

14. Grazing of sweet sorghum on set-aside is permitted under rules to be developed by the Secretary.

15. Cost-sharing is authorized for conserving practices on set-aside.

16. When the set-aside program is activated, no additional set-aside will be required in summer fallow areas if 55 percent of the cropland acreage is devoted to summer fallow.

17. Public access payments are authorized.

Title VI -- Cotton

This title establishes a voluntary upland cotton program for crops of 1974 through 1977, and suspends marketing quotas, penalties, and acreage restrictions provided for in permanent legislation for those years.

Other provisions include:

1. A national production goal equal to the estimated offtake plus not less than 5 percent allowance for market expansion must be proclaimed not later

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than November 15 of the year preceding the applicable program year.

2. The base acreage allotment is fixed at a minimum of 11 million acres for each crop year and must be announced by not later than November 15 of the year preceding the applicable program year.

3. Nonrecourse loans will be available to participating producers based on Middling 1-inch (micronaire 3.5-4.9) cotton at average U.S. location and will apply to all cotton produced by the participant. Loan rate will be 90 percent of the average world price for American cotton for the last three years unless current world prices are lower. As under the 1970 Act, loans mature ten months from the first day of the month in which the loan is made. The Secretary must announce the loan level by November 1 of the year preceding the program year.

4. As in the past, out-of-county transfers of cotton allotments by lease or sale are permitted among counties within the State, subject to approval of the county ASC committee based on a finding that a demand for the allotment no longer exists in the county. However, transfers may now be made to farms either with or without cotton allotments.

5. In the event that natural disaster or other conditions beyond the control of the producer prevent planting or replanting, allotments may be transferred to another farm in which the producer has an interest in the same or "any other nearby county." In the past these transfers were limited to the same or adjoining counties.

6. Provisions for the release and reapportionment of allotments are continued as under the 1970 Act.

7. The target price for cotton is established at 38 cents per pound for the 1974 and 1975 crops. If the average price for cotton received by producers for the calendar year in which the crop is planted falls below the target price

per pound, participating producers will receive a payment equal to the difference. An individual's deficiency payment is figured by multiplying the per-pound payment rate times the acreage planted within the farm allotment times the established farm yield. Farm yields are established in the same manner as under the 1970 Act. As in the past, if 90 percent or more of the allotment is planted, the full allotment is considered as planted.

8. For the 1976 and 1977 crop years, an escalator provision will be in effect. Under it, the target price will be adjusted to take into account both changes in the index of production costs and changes in per-acre yields. More specifically, production costs will be measured by year to year changes in the index, whereas yield adjustments will reflect annual changes in the national average yield for the preceding three-years, compared with the three year average one year earlier. For example, for the 1976 crop the 1973-75 per acre average will be compared with the 1972-74 average.

9. As in the past, the payment rate to any producer who is on a small farm (farm allotment of 10 acres or less or payment production of 5,000 pounds or less and no allotment released, resides on such farm, and derives his principal income from cotton produced on such farm) is increased 30 percent.

10. A producer who is prevented by natural disaster or conditions beyond his control from planting any portion of his cotton allotment -- or is prevented by such disaster or conditions from harvesting at least two-thirds of the normal production of his allotment -- will receive payment on the production shortfall at a per-pound rate equal to the higher of the regular rate as calculated, or one-third of the target price. Such producer would, of course, receive the regular rate on his actual production.

11. Except as described, producers are required to plant cotton to be eligible for program benefits. Failure to plant at least 90 percent of the allotment to either cotton or authorized substitute crops such as wheat, feed grains, soybeans, guar, castor beans, triticale, oats, rye, or other crops as the Secretary designates, will result in a loss of allotment not to exceed 20 percent the following year. After three consecutive years of zero planting, the entire allotment would be lost. However, farmers prevented from planting cotton because of natural disaster or conditions beyond the producer's control will not lose their allotments.

12. The Secretary is authorized to limit the acreage planted to cotton in excess of the farm allotment to a percentage of the farm allotment. Under the 1970 Act, acreage could be limited only if the carryover at the beginning of the marketing year was estimated to exceed 7.2 million bales.

13. When set-aside provisions are in effect, the cotton set-aside cannot exceed 28 percent of the allotment, the same as in the 1970 Act.

14. When set-aside is in effect, grazing and haying of set-aside acres may be permitted at the Secretary's discretion. However, planting and grazing of sweet sorghum on set-aside must be permitted. At the Secretary's discretion, production on set-aside also may be permitted of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye, or other commodities named by the Secretary.

15. The Commodity Credit Corporation minimum sales price is unchanged at 110 percent of the loan rate for Middling 1-inch cotton (micronaire 3.5-4.9) adjusted for current market differentials, plus reasonable carrying charges. The Secretary has the authority and has used it in the past to administratively increase to 115 percent the minimum sale price to be consistent with wheat and feed grain.

16. The cottonseed-soybean mandatory support relationship of basic legislation is inapplicable for the life of this Act.

17. Skiprow rules in effect under the Agricultural Act of 1970 for classifying acreage planted to cotton and the area skipped are to continue to apply without change.

18. The Secretary is authorized to carry out through CCC an insect eradication program with cotton producers paying up to one-half of the cost. CCC expenditures are limited to appropriations made in advance.

19. The Act makes $10 million available annually for research.

20. Public access payments are authorized.

Title VII -- Public Law 480

This title extends the provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended, (Public Law 480) for calendar years 1974, 1975, 1976 and 1977. This is the ninth extension of P. L. 480 since enactment in 1954. The Act authorizes long-term dollar credit and foreign currency sales and donations of U.S. farm commodities to less developed nations.

Title VIII -- Miscellaneous

This title extends, amends, or creates a number of programs. Principal provisions are:

1. The beekeeper indemnity program is extended for four years.

2. Eligibility limits for Farmers Home Administration applicants are increased.

3. An annual study by the USDA of cost of production for wheat, feed

grains, cotton and dairy commodities is required.

4. The USDA is required to study the reason for losses of livestock while being transported, and $500,000 is authorized for this study in each fiscal year.

5. Wheat and grains research on varietal characteristics is funded at $1 million annually.

6. The USDA is required to provide technical support and information to exporters and importers of U.S. agricultural products when this support is requested.

7. Weekly reports are required from exporters on their foreign sales of wheat, wheat flour, feed grains, oil seeds, cotton and cotton products, and other U.S. commodities that the Secretary may designate. These reports are to cover type, class, quantity, the marketing year of shipment and the destination, if known.

8. The Secretary is required to establish a separate reserve of inventories of not more than 75 million bushels of wheat, feed grains, and soybeans for use to alleviate distress caused by natural disaster. The commodities are to be acquired through the price support program.

9. The Secretary is required to encourage production on set-aside of price supported commodities for which the U.S. is a net importer.

10. The Secretary shall assist farmers, processors, and distributors in obtaining the necessary prices for agricultural products to assure an orderly supply, and the President shall make appropriate adjustments in maximum prices which may be charged under Executive Orders affecting agricultural products to prevent unacceptable low levels of supply as a result of price controls or freeze orders.

11. The Secretary is authorized to make grants for fire fighting equipment under the rural development program, and $7 million is appropriated to carry out provisions of the rural development title.

12. The Secretary of Commerce is required to conduct a census of agriculture in 1974.

Title X -- Rural Environmental Conservation Program

This title establishes long-term contracts (for three, five, ten or twenty-five years) for the Rural Environmental Assistance Program and the Waterbank Program. Other major provisions are:

1. It provides the Secretary with the right to purchase perpetual easements for flood plains, shore lands, and aquatic areas.

2. Authorization is granted for multi-year set-aside contracts to run through 1977 for establishing wildlife habitat with grazing prohibited on such lands. Cost-sharing practices are authorized for this purpose.

3. It directs the establishment of national and state advisory boards to advise regarding types of conservation measures needed to effectuate the purposes of Title X.

4. The Secretary is authorized and directed to carry out a forestry incentives program to encourage the development, management, and protection of nonindustrial private forest lands. Cost-sharing is authorized and $25 million per year is appropriated for this purpose.

OTHER PROVISIONS OF ACT

Titles I through X appear in Section I of the Agriculture and Consumer Protection Act of 1973. Sections II, III, and IV cover the material listed below:

Section II -- Repeals Section 301 of the Act of August 14, 1946 (Public Law 79-733) which provided for an Industry Research Advisory Committee.

Section III -- The Food Stamp Act of 1964 is amended to include the following provisions:

1. Alcoholics and/or narcotic addicts are eligible for food stamps if they are in a rehabilitation program.

2. Changes are made in eligibility rules for certain types of recipients, including those under Social Security.

3. The Secretary shall establish uniform national standards for eligibility of households.

4. The Secretary may establish temporary emergency standards for eligibility during an emergency.

Section IV -- Authorizes the Secretary to use until July 1, 1974 funds available under Section 32, P.L. 320, 74th Congress, as amended, to purchase agricultural commodities and products customarily purchased for school lunches, domestic relief distribution and other domestic food assistance programs. If Commodity Credit Corporation stocks are not available, CCC funds may be used to buy agricultural commodities and products for similar purposes.

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